

HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM
Office of Retirement
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

January 25, 2019

MINUTES

A regular meeting of the Hollywood Police Officers' Retirement System was held on Friday, January 25, 2019, at 10:30 A.M., in the Office of Retirement, 4205 Hollywood Blvd., Suite 4, Hollywood, Florida 33021.

PRESENT:

D. Strauss, Chairman, C. Marano, Secretary, V. Szeto C. Boyd, P. Laskowski, R. Brickman and R. Wise

Also present were Eugene "Mac" Champion, City of Hollywood; Mark A. Guariglia & Bryan Schneider - EntrustPermal; Ed Rick, Eagle Asset Management; Stuart Kaufman, Legal Counsel - Klausner, Kaufman, Jensen & Levinson; David M. Williams, Plan Administrator.

PUBLIC COMMENT

No Public Comments.

READING OF THE WARRANTS

The warrants since the last meeting were reviewed and executed by the Board of Trustees.

APPROVAL OF THE MINUTES OF THE OCTOBER 27, 2018 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the October 27, 2018 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the October 27, 2018 pension board meeting, which was seconded by Mr. Boyd. All board members voted yes.

APPROVAL OF THE MINUTES OF THE NOVEMBER 16, 2018 MEETING

Mr. Strauss asked if there were any additions or corrections to the Minutes of the November 16, 2018 pension board meeting. Mr. Szeto made a motion to approve the Minutes of the November 16, 2018 pension board meeting, which was seconded by Mr. Boyd. All board members voted yes.

ATTORNEY'S REPORT

Mr. Kaufman briefed the HD Supply Security Litigation – Interrogatories filed. No action taken by the Board.

Mr. Kaufman received a copy of the draft ordinance. He will review and comment to the city if issues arise. Mr. Kaufman advised no impact study required *at this juncture* as the city intends to use their study of May 2018.

Mr. Kaufman stated the LaFrance Disability Claim in discovery phase. Hope to have informal hearing in March 2019.

Mr. Kaufman learned of another claim pending from Meredith Elrich. No application received to date.

ADMINISTRATIVE REPORT

Mr. Williams presented the Administrative Report to the Board.

TRUSTEE NOMINATION/ELECTION: Mr. Williams reflected a notice of self-nomination & election was sent out to all active members to consider. The notice is also posted on the website and the front door of the pension office. The seats currently held by Mr. Strauss, Mr. Szeto and Mr. Boyd are open in March 2019.

Notice - Web Link:

<http://hollywoodpolicepensionfund.com/docs/announcements/NOTICE%20OF%20BOARD%20ELECTION%2001-07-2019%20FINAL%20POSTED%2001-07-2019.pdf>

NOTICE TO WITHHOLD STATE FUNDING: A letter addressed to Mayor Levy was distributed from the State of Florida - Division of Retirement (dated November 30, 2018). Notice advised the State of Florida was withholding state funds in the amount of \$1,541,166.44 for the city's non-compliance of Chapter 185. An appeal was reportedly filed.

Notice - Web Link:

<http://hollywoodpolicepensionfund.com/docs/announcements/State%20Notice%20to%20Withhold%202017%20185%20Funding%20-%20to%20Mayor%20Levy%20dated%2011-30-2018%20rec%2012-04-2018.pdf>

RETURN OF PENSION CONTRIBUTIONS: Mr. Williams presented a request from Rachel Hughes for a refund of pension contributions. Member signed all the required forms and forfeited any benefit accrued in lieu of a refund. Mr. Laskowski made a motion to refund the member contributions, which was seconded by Mr. Brickman. All board members voted yes.

DROP/PRB Loans: Mr. Williams cited the respective member's loan requests. He outlined that each member has the funds in his/her personal DROP/PRB account to cover the loans and he/she has been a participant in the DROP/PRB plan for the required amount of time. No conflict exists with the 12-month rule. Mr. Brickman made a motion to approve the loans presented. This motion was seconded by Mrs. Marano. All board members voted yes.

QUARTERLY INVESTMENT PRESENTATIONS

ENTRUST – Global Activist Fund & Special Opportunities Fund

Mr. Mark A. Guariglia & Mr. Bryan Schneider of EntrustPermal appeared before the Board to provide an investment update for the investment portfolios cited.

It was reported that the Global Activist Fund was valued at \$4,864,165. Since the inception date was July 31, 2015 the net rate of return was valued at -2.46%.

Activist Strategy Outlook: Headline-grabbing engagement wins demonstrate continued clout our activist managers have as agents of catalyzing change. Engagement activity remains overweight in the US market, while activity across Europe has increased with a number of newer managers raising their profiles. YTD performance dispersion apparent when examining underlying manager results. Activist managers intensely focused on recovering value at underperforming positions. Elevated volatility has enabled our activist managers to initiate several new positions. Widespread expectations of increasing M&A activity as numerous portfolio companies are expected to be acquired by strategic, or financial buyers. Investors need to be mindful that activism is an inherently direction strategy that would likely underperform other types of hedge fund strategies in the event of a pronounced global equity selloff.

The following chart outlines the EnTrustGlobal Activist Fund SPC Allocation:

	Percentage of GAF	Initial Investment
Blue Harbour Active Ownership Partners (ERISA) Ltd	10.62%	Nov-13
Cevian Capital II Ltd	22.87%	Jan-14
Corvex Offshore II Ltd	3.39%	Nov-13
JANA Offshore Partners Ltd	4.08%	Nov-13
Pershing Square International Ltd	12.75%	Nov-13
Red Mountain Partners LP	3.97%	Nov-13
Third Point Offshore Fund Ltd	4.68%	Mar-14
Tosca Opportunity	8.03%	Jan-14
Triam Partners (ERISA) Ltd	5.32%	Nov-13
ValueAct Capital International I LP	24.30%	Nov-13
TOTAL	100.00%	
Average Manager Allocation	10.00%	

It was reported that the Special Opportunities Fund was valued at \$4,864,165. Since the inception date was March 2018 the Inception-to-Date Time Weighted Net Performance was reported at 6.66%. Quarter-to-Date Time Weighted Net Performance¹ was valued at -4.54%. This is a relatively new portfolio and only a small portion of the capital has been called.

EnTrustPermal's underlying managers invest in thousands of securities. The Fund IV will invest in a less crowded part of the liquidity spectrum. By acting as liquidity providers, we believe the Special Opportunities Funds can continue to generate outsized risk-adjusted returns.

Current Capital Allocation:

Investment	Inception	Strategy	Substrategy	Percentage of Committed Capital	Percentage of Invested Capital
Awar - American Gisonite	Mar-18	Equity	Event Driven/Special Situation	3.88%	14.16%
Hudson Executive - Cartronics	Apr-18	Equity	Activist Equity	2.11%	7.71%
ADM - Aston Martin	Jun-18	Credit	Direct Lending	4.14%	15.18%
Hudson Executive - Deutsche Bank	Jul-18	Equity	Activist Equity	4.37%	15.94%
Project High Line	Jul-18	Credit	Liquiation/Litigation Claims	2.00%	6.02%
Artist - Orap	Aug-18	Equity	Growth Equity	2.53%	9.22%
Project Atlantic	Sep-18	Credit	Direct Lending	1.38%	5.05%
Tosca - IWG	Sep-18	Equity	Activist Equity	3.50%	12.78%
Cevian - ThyssenKrupp	Oct-18	Equity	Activist Equity	3.08%	11.25%
EnTrustPermal - Qubli	Nov-18	Equity	Growth Equity	0.19%	0.69%
TOTAL				27.40%	100.00%

EAGLE ASSET MANAGEMENT

Mr. Rick appeared before the Board and stated the market value of Eagle Account was at \$24,138,289 as of December 31, 2018. Since inception (01-08-03) the Eagle Small Cap Account realized an annualized net return of 9.76%, compared to the Russell 2000 of 9.45%.

¹ November 30, 2018

For the quarter ending December 31, 2018, Eagle Small Cap Account returned -20.26%, compared to -20.20% for the Russell 2000. On a one year rolling basis, the portfolio returned -11.39% compared to the benchmark of 11.01%. The 3- & 5-Year returns were valued at 11.44% & 14.58% in comparison to the benchmark returns of 7.16% & 5.56% respectively.

Mr. Rick provided a market overview: When the market has experienced declines of this quarter's magnitude, 15 out of 20 times the market recovered in the following year. Three of the exceptions (Great Depression, Nifty- Fifty episode in the 1970s and the New Economy Era in the early 2000s). Regarding market valuation, the Shiller P/E index would indicate stocks are still richly valued, however, one can point to several issues with this analysis – including changes to accounting standards, along with the nature of the firms in the index, since 1980. The odds are in favor of a robust market despite worldwide economic growth concerns. We see plenty of worries but little evidence of a substantial slowdown.

Contributors to relative performance - Health Care: Health Care was a source of outperformance due to both stock selection and allocation effects within particular industries.

Detractors from relative performance – Financials: Financials represented the largest detractor, primarily due to stock selection within Banks and Capital Markets.

SUPPLEMENTAL DISTRIBUTION

Tabled.

OPEN DISCUSSION

Mr. Williams posted Pensionomics 2018 on line for informational purposes. The report considers how defined benefit (DB) pension benefits not only provide a secure source of income for many retired Americans, they also contribute substantially to local, state, and national economies. DB pensions play a vital role in sustaining consumer demand that ultimately supports millions of jobs.

Pensionomics 2018 - Report Link:

http://www.hollywoodpolicepensionfund.com/docs/announcements/Pensionomics2018_final.pdf

State of Florida Pensionomics 2018 - Report Link:

http://www.hollywoodpolicepensionfund.com/docs/announcements/pensionomics2018_fl.pdf

MEETING ADJOURNED

There being no further business, the meeting was adjourned at 11:15 A.M.

The next scheduled meeting is February 22, 2019 at 10:30 AM.

Respectfully submitted,

APPROVED:

C. Marano, Secretary

D. Strauss, Chairperson